

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

**COMMUNITY FIRE ASSOCIATION**  
Stanton, Michigan

**FINANCIAL STATEMENTS**  
April 30, 2007

# COMMUNITY FIRE ASSOCIATION

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## INDEPENDENT AUDITORS' REPORT

To the Community Fire Association  
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Community Fire Association, as of and for the year ended April 30, 2007, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Community Fire Association management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Community Fire Authority, as of April 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The Association has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not a required part of, the financial statements.

*Berthiaume & Co.*

September 10, 2007

## ***BASIC FINANCIAL STATEMENTS***

# COMMUNITY FIRE ASSOCIATION

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## GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET ASSETS

April 30, 2007

	<i>General Fund</i>	<i>Adjustments</i>	<i>Statement of Net Assets</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 6,760	\$ -	\$ 6,760
Capital assets:			
Depreciable capital assets, net	-	426,899	426,899
 Total assets	 \$ 6,760	 426,899	 433,659
 <b>Liabilities:</b>			
 Accounts payable	 \$ 413	 -	 413
Accrued expenses	4,080	-	4,080
 Total liabilities	 4,493	 -	 4,493
 <b>Fund balance - Net Assets:</b>			
Unreserved	2,267	(2,267)	-
 Total liabilities and fund balance	 \$ 6,760		
 <b>Net Assets:</b>			
Invested in capital assets		426,899	426,899
Unrestricted		2,267	2,267
 Total net assets	 _____	 \$ <del>429,166</del>	 \$ <del>429,166</del>
	_____	_____	_____
	_____	_____	_____
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		_____	_____
		=====	=====

*The accompanying notes are an integral part of these financial statements.*

# COMMUNITY FIRE ASSOCIATION

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## STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2007

	<i>General Fund</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
<b>Revenues:</b>			
Federal grants	\$ 15,000	\$ -	\$ 15,000
Contributions from participating units	65,550	-	65,550
Contributions from other units	2,300	-	2,300
Charges for services	16	-	16
Interest and rents	23	-	23
Other revenue	2,598	(9,234)	(6,636)
 Total revenues	 85,487	 (9,234)	 76,253
<b>Expenditures:</b>			
Current			
Public safety	36,036	16,298	52,334
Capital outlay	19,083	(15,000)	4,083
 Total expenditures	 55,119	 1,298	 56,417
 Excess (deficiency) of revenues over expenditures	 30,368	 (10,532)	 19,836
 Fund balance (Deficit) - Net assets, beginning of year	 (28,101)	 437,431	 409,330
 Fund balance - Net assets, end of year	 \$ 2,267	 \$ 426,899	 \$ 429,166

_____	_____	_____
_____	_____	_____
_____	_____	_____
=====	=====	=====

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***



# **COMMUNITY FIRE ASSOCIATION**

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## **NOTES TO FINANCIAL STATEMENTS**

April 30, 2007

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### **THE REPORTING ENTITY:**

The Community Fire Association (the “Association”), was established in 1982 under Public Act 7 of 1967. It is a joint Association created by contractual agreement between the City of Stanton and the Townships of Douglas, Evergreen, and Sidney of Montcalm County.

The Association has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

The accounting policies of the Community Fire Association conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances. The Association’s major funds are reported in separate columns in the aforementioned financial statements.

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tri-party contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# COMMUNITY FIRE ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2007

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The **General Fund** is the principal operating fund of the Association. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity, if any, has been eliminated from the government-wide financial statements.

### BUDGETARY INFORMATION:

Comparisons to budget are presented for the General Fund as required by generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Association. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrance accounting is not utilized by the Association.

### DEPOSITS AND INVESTMENTS:

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts, and certificates of deposit with an original maturity date less than 90 days from the original issue date.

State statutes authorize the Association to invest surplus funds in certificates of deposit, savings accounts, and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by an Association.

Investments, if any, are carried at fair value.

### CAPITAL ASSETS:

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

# COMMUNITY FIRE ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2007

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and equipment	25 to 40

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### NOTE 2: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned. The Fire Department does not have a deposit policy for custodial credit risk. At year-end, the Fire Department had \$6,770 of bank deposits, of which \$6,770 was covered by federal depository insurance. At year end, the Fire Department had no investments.

The Association's deposits are in accordance with statutory authority.

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### NOTE 3: CAPITAL ASSETS

Capital asset activity of the Association's governmental activities for the year was as follows:

	<i>May 1, 2006</i>	<i>Additions</i>	<i>Retirements</i>	<i>April 30, 2007</i>
Capital assets				
Equipment	\$ 30,000	\$ 15,000	\$ -	\$ 45,000
Vehicles	529,978	-	(61,550)	468,428
Total capital assets	559,978	15,000	(61,550)	513,428
Accumulated depreciation	(122,547)	(16,298)	52,316	(86,529)
Capital assets, net	\$ 437,431	\$ (1,298)	\$ (9,234)	\$ 426,899

# COMMUNITY FIRE ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2007

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### NOTE 4: RISK MANAGEMENT

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The Association is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

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### NOTE 5: FUNDING

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The Fire Department is financed each year by the participating municipalities. This funding represents approximately 96% of total revenues for the year ending April 30, 2007. Consequently, the Fire Association's ability to provide services is dependent upon the continuing support of those municipalities.

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### NOTE 6: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Following is the explanation of differences between the fund (modified accrual) balance sheet and the government-wide statement of net assets.

<b>Total fund balance for governmental fund</b>	\$	2,267
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	513,428	
Less accumulated depreciation	(86,529)	426,899
<b>Net assets of governmental activities</b>	<u>\$</u>	<u>429,166</u>
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# COMMUNITY FIRE ASSOCIATION

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2007

Following is the explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

<b>Net change in fund balance - total governmental fund</b>	<b>\$ 30,368</b>
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report the proceeds from the sale of assets as a revenue.

However, in the statement of activities, the proceeds are record net of the depreciated cost of the asset.	(9,234)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	15,000	
Less depreciation expense	(16,298)	(1,298)

<b>Change in net assets of governmental activities</b>	<b>\$ 19,836</b>
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***REQUIRED SUPPLEMENTAL INFORMATION***

# COMMUNITY FIRE ASSOCIATION

## OPERATING FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended April 30, 2007

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b>Revenues:</b>				
Federal grants	\$ -	\$ 15,000	\$ 15,000	\$ -
Contributions from participating units	53,400	53,400	65,550	12,150
Contributions from other units	-	-	2,300	2,300
Charges for services	-	-	16	16
Interest and rents	-	-	23	23
Other revenue	-	-	2,598	2,598
 Total revenues	 53,400	 68,400	 85,487	 17,087
<b>Expenditures:</b>				
Current				
Public safety	44,100	44,370	36,036	(8,334)
Capital outlay	7,000	24,030	19,083	(4,947)
 Total expenditures	 51,100	 68,400	 55,119	 (13,281)
 Excess (deficiency) of revenues over expenditures	 2,300	 -	 30,368	 30,368
 Fund balance, beginning of year	 (28,101)	 (28,101)	 (28,101)	 -
 Fund balance, end of year	 \$ (25,801)	 \$ (28,101)	 \$ 2,267	 \$ 30,368


***OTHER SUPPLEMENTAL INFORMATION***



# COMMUNITY FIRE ASSOCIATION

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## OPERATING FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended April 30, 2007

***Federal grants:***

Fema - CEDAP grant	\$ 15,000
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***Contributions from participating units:***

Operations	65,550
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***Contributions from other governmental units:***

Montcalm County - Pages	2,300
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***Charges for services:***

Fire reports	16
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***Interest and rents:***

Interest	23
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***Other:***

Sale of capital assets	2,500
Contributions	50
Refunds and rebates	48
	2,598

Total revenues	\$ 85,487
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# COMMUNITY FIRE ASSOCIATION

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## OPERATING FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended April 30, 2007

#### Public Safety:

##### Fire:

Personnel	\$ 11,735
Fringe benefits	1,300
Supplies	542
Mileage	2,450
Insurance	10,157
Utilities	3,550
Repairs and maintenance	4,502
	36,036

#### Capital Outlay:

Public safety	19,083
	19,083

Total expenditures	\$ 55,119
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